

April 13, 1993

SDR-922-93-06  
MTM 78535  
MTM 78718  
3165.3 (922.1)

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

DECISION

Mr. Ronald D. Ragland  
The Petroleum Engineering  
and Management Corporation  
P.O. Box 1572  
Billings, Montana 59103

*P114729592*

SDR No. 922-93-06

AFFIRMED

The Petroleum Engineering and Management Corporation (PEMC) requested a State Director Review (SDR) (Enclosure 1) on March 30, 1993, of an Incident of Noncompliance (INC) issued by the Miles City District Office (MCDO) dated March 11, 1993 (Enclosure 2), instructing the PEMC to submit a report showing or discussing calculations used to correct reported gas volumes due to a 2.33 percent volume error detected when the meter was calibrated. The well/meter is located in the SW¼NW¼ of sec. 14, T. 7 S., R. 22 E., Carbon County, Montana, on Federal Oil and Gas Communitization Agreement No. MTM 78535. The PEMC's request for an SDR was timely received on March 31, 1993.

On March 4, 1993, the MCDO witnessed a gas meter calibration at the Gaudina 5-14 well. Upon reviewing the results of the calibration, the MCDO calculated a 2.33 percent volume error in the meter. Onshore Order No. 5, Section III. C. 19, states, "If the inaccuracy of the measuring equipment results in a volume calculation more than 2 percent in error, the volume measured since the last calibration shall be corrected in addition to adjusting the meter to zero error. Also, the operator shall submit a corrected report adjusting the volumes of gas measured, and showing or discussing all calculations made in correcting the volumes. The volumes shall be corrected back to the time the inaccuracy occurred, if known. If this time is unknown, volumes shall be corrected for the last half of the period elapsed since the date of last calibration."

On March 11, 1993, the MCDO informed the PEMC, through the use of an INC form, that the meter was in error in excess of 2 percent, and instructed the PEMC to submit a report showing or discussing the calculations made in correcting the volumes.

The PEMC argues that the width of the pen recording on the chart is at least 2/100 of a division or more, and it is not possible to read the chart with the degree of accuracy indicated on the calibration report.

The path drawn by the pen on the chart has no bearing on how the volume error is determined. The volume error is determined using the value of where the meter was found to be recording (3.07), and the value of where the meter was left recording (3.0), from the orifice meter inspection report (Enclosure 3), which was prepared by Montana Power Company's (gas purchaser) Meter Technician. The method used by the MCDO to determine the error was correct.

The PEMC further argues that the well produces in "heads," which causes the differential pressure to record off the scale on the chart (Enclosure 4) for short periods of time. When the charts are integrated, the differential pressure will not be read off the scale, in which the volumes are under reported. In the PEMC's opinion, the under reporting of production while the differential is off scale would tend to compensate for the 2 percent over reported production adjustment in the figures reported to the BLM March 24, 1993.

We agree that, in this case, the volume may be offset with the volume that cannot be measured due to the differential going off scale. However, the volume that passed through the meter when the differential was off scale cannot be determined. Therefore, it is the operator's responsibility to ensure that the volume of gas that passes through the meter is properly measured. If the differential is going off scale, steps should be taken to ensure that this does not occur.

The PEMC stated that it is their responsibility, not the Bureau of Land Management's (BLM), for reporting accurate figures to the Minerals Management Service (MMS), and have done so to the best of their ability.

We agree that it is the operator's responsibility for reporting accurate volumes to the MMS. However, the 43 Code of Federal Regulations (CFR) part 3161.1 states that the BLM has jurisdiction in enforcing the regulations relating to site security, measurement, reporting of production and operations, and assessments or penalties for noncompliance with such requirements, which are applicable to all wells and facilities on Federal and Indian leases, and also on State or privately-owned mineral lands committed to a unit or communitization agreement which affects Federal or Indian interests, notwithstanding any provisions of those agreements to the contrary. If volume discrepancy is detected, we notify the MMS to obtain corrected production reports.

Based on the above, we hereby affirm the MCDO's requirement for the PEMC to adjust reported gas volumes as a result of a 2.33 percent volume error detected when the meter was calibrated, at the Gaudina 5-14 well. The volume adjustments you provided in your SDR will satisfy the instructions set forth on the INC form. Furthermore, MMS has been notified (Enclosure 5) requesting the amended Monthly Report of Operations for the volume error.

This decision may be appealed to the Board of Land Appeals, Office of the Secretary, in accordance with 43 CFR 3165.4, 4.411, 4.413 and Form 1842-1 (Enclosure 6). If an appeal is taken, Notice of Appeal must be filed in the Montana State Office at the above address within 30 days from receipt of this decision. A copy of the Notice of Appeal, and any statement of reasons, written arguments, or briefs must also be served on the Office of the Solicitor at the address shown on Form 1842-1. It is also requested that a copy of any statement of reasons, written arguments, or briefs be sent to this office. The appellant has the burden of showing that the decision appealed from is in error.

/s/ Thomas P. Lonnie

Thomas P. Lonnie  
Deputy State Director  
Division of Mineral Resources

#### 6 Enclosures

- 1-Petroleum Engineering SDR, dated March 30, 1993 (2 pp)
- 2-MCDO INC, dated March 11, 1993 (1 p)
- 3-Orifice Meter Inspection Report (1 p)
- 4-Chart (1 p)
- 5-Memo to MMS, dated March 30, 1993
- 6-43 CFR 3165.4, 4.411, 4.413, and Form 1842-1 (4 p)

cc: (w/encls.)

Harold B. Holden, 3518 Poly Dr., Billings, MT 59102 P 114 729 591

Montana Power Co., 40 E. Broadway, Butte, MT 59701 P 114 729 589

~~Ronald D. Ragland, P.O. Box 1572, Billings, MT 59103~~

Carolyn Jo Voorhees, P.O. Box 1107, Big Fork, MT 59911 P 114 729 590

Miles City District Office

bc: (w/o encls.)

WO(610), LS, Rm. 510

DM, Lewistown

AM, GFRA

DM, Dickinson

MSO (922)

AK SO

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